

PSU DIS-INVESTMENTS

In the Present Scenario, the PSU Dis Investments is popularly known as Reduction in Percentage (%) of Equity Holding of Government of India (GOI) in PSU Undertakings including Nationalised Banks.

Through the process of Disinvestments, GOI gets one of the Sources of Funds for Budgetary Proposals / Appropriations.

Issue of Additional Equity Shares by PSU Undertakings is also another mode of Reduction in % of Holding of GOI in PSU Undertakings but the Additional Funds are received by the PSU Undertakings to meet their own Financial Appropriations/Proposals.

The ultimate Concept of PSU Disinvestment results in Raising Long Term Resources of Funds, which neither carries Repayment Burden nor Interest Burden.

The Initial PSU Disinvestment was started way back in the Financial Year 1991-1992 and continued thereafter to Raise Long Term Resources of Funds for Budgetary Proposals/ Appropriations.

However, what we would like to address that the Exercise/Concept of PSU Disinvestments should not be restricted to mere Arithmetical Exercise i.e. Reduction in the % of Holding of Equity Shares in PSUs by GOI. Looking at the present Economic Scenario and the challenges faced, we feel that there is a need to Re-Look at PSU Disinvestments more from a different angle and, accordingly, we offer following suggestions:

1. The detailed study of Shareholding Pattern of PSU Undertakings do reveal that apart from Holding of Equity Shares by GOI, LIC – Insurance Companies – Nationalised Banks – Other PSUs also hold reasonably a Good % of Equity Shares in PSU Undertakings. But, this form part of their Respective Investment Portfolio. In the light of this, the Definition of SLR Securities under Banking Regulations Act and Permissible Securities under IRDA Regulations, need to be changed/modified/amended and, thereby ,
 - (a) Additional Investments by way of Subscription in Equity Shares of PSU Undertakings by Banks can be considered as SLR Securities subject to a % of overall SLR Securities portfolio.
 - (b) Additional Investments by way of Subscription in Equity Shares of PSU Undertakings by LIC and other Insurance Companies can also be considered as Permissible Security Investments subject to a maximum % of Statutory Investments.

2. No doubt, this will provide Additional Resources of Long Term Funds for PSU Undertakings to meet their Financial Proposals /Appropriations but at the same time Long Term Investments made by Banks- LIC – Insurance Companies under Statute Norms would improve Market Quotations of PSU Undertakings.
3. The Additional Equity Shares of PSU Undertakings may also be considered to be issued in favour of NRIs through ADRs which require to be quoted at New York /London Stock Exchanges. This will result into Equity Quotations of PSU Undertakings not only in INR but also Foreign Currency.
4. A detailed study has been made in respect of Two Private Banks who had issued ADRs to NRIs and their \$ Quotations have been found that they are more or less equal to INR Quotations.
5. A further detailed study has also been made to ascertain what is the Market Capitalisation of GOI in PSU Undertakings and it has been found that,
 - a) GOI Holding in PSU Undertakings other than Nationalised Banks is Rs.1559377 Crs which equals to \$ 24046 Crs;
 - b) GOI Holding in Nationalised Banks is Rs.291161 Crs which equals to \$ 4490 Crs;
6. If proper approach is made with IMF and World Bank Authorities, then we are more than confident that they may not be averse to consider at least 50% of \$ 28536 (\$ 24046 + \$ 4490) i.e. \$ 14268 Crs as Equivalent Gold Reserves (see attached chart for further information)

The above Market Capitalisation has been based on INR Quotations of PSU Undertakings as on 23.05.2017.

This will provide Global Good Rating to GOI and at the same time INR Valuation vis-a-vis Foreign Currency will either improve or at least stabilise.

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